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02 ACTION AID-00

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04 ACTION OFFICE ANPD-05

05 INFO ANDP-03 ANSA-03 ANAF-04 PPDC-01 ANAA-01 SAST-01 PPPB-02

06 GC-01 GCAN-02 GCCM-02 ANTR-06 STAG-02 AAPF-01 SEOP-01

07 SEOS-02 FPA-02 SERP-01 RELQ-01 TELE-01 AGRI-01

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10 INFO LOG-00 CIAE-00 EB-00 DODE-00 NEA-04 /004 W

11 -----264323 230402Z /38

12 O 230355Z JAN 89

13 FM AMEMBASSY ISLAMABAD

14 TO SECSTATE WASHDC IMMEDIATE 3816

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16 UNCLAS SECTION 01 OF 07 ISLAMABAD 01602

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18 AIDAC FROM AID/REP

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20 AID FOR ANE/AF, ANE/TR/ARD AND ANE/PD

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22 E.O. 12356: N/A

23 SUBJECT - AFGHANISTAN AGRICULTURE SECTOR SUPPORT

24 PROJECT (ASSP) AAM AMENDMENT

25

26 REF: STATE 010779

27

28 1. SUMMARY. MISSION APPRECIATES THE QUICK REVIEW OF
29 SUBJECT PROJECT AMENDMENT. WE UNDERSTAND THAT THE
30 AFGHANISTAN TASK FORCE IS PREPARED TO RECOMMEND
31 AUTHORIZATION OF THE AGRICULTURE AND RURAL
32 DEVELOPMENT SCHEMES AND THE MONITORING, ANALYSIS AND
33 PLANNING COMPONENTS. WE FURTHER UNDERSTAND THE TASK
34 FORCE DID NOT RECOMMEND AUTHORIZATION OF THE PRIVATE
35 SECTOR AGRIBUSINESS COMPONENT BECAUSE OPERATIONAL
36 DETAILS WERE NOT FULLY UNDERSTOOD. THE FOLLOWING IS
37 THE MISSION'S RESPONSE TO REFTEL AND THE QUESTIONS
38 RAISED CONCERNING THE OPERATION OF THE AGRIBUSINESS
39 COMPONENT. WE REQUEST THAT THE AMENDED AUTHORIZATION
40 BE APPROVED ASAP, SO THAT THE RFP FOR THE NEW
41 CONTRACT CAN BE ISSUED. END SUMMARY.

42

43 2. THE FOLLOWING RESPONDS TO SPECIFIC POINTS IN THE
44 ORDER LISTED IN REFTEL:

45

46 A) AGRICULTURE REHABILITATION SCHEMES (ARS)

47

01 COMPONENT - WITH RESPECT TO IMPACT ON REFUGEES,
02 WASHINGTON IS CORRECT THAT EXISTING ARS'S IN THE EAST
03 AND SOUTH WILL BE MAINTAINED AND EXPANDED.
04 EMPLOYMENT (CASH FOR HIRE) WILL CONTINUE TO BE A
05 MAJOR ELEMENT OF ALL THE AGRICULTURE AND RURAL
06 REHABILITATION ACTIVITIES. AT PRESENT, THE ASSP

07 REPRESENTS THE LARGEST SINGLE DONOR EMPLOYMENT
08 GENERATION ACTIVITY FAR EXCEEDING THE COMBINED
09 ACTIVITIES OF PVOS, NGOS, ETC.

10
11 B) THE MONITORING OF THE ARS COMPONENT - MONITORING
12 OF THE ARS IS RECOGNIZED TO BE A SIGNIFICANT
13 RESPONSIBILITY OF THE MISSION AND, THEREFORE, A MAJOR
14 ACTIVITY OF THE OVERALL ASSP.

15
16 --MONITORING WITHIN THE ASSP PRESENTLY TAKES PLACE IN
17 THREE DISTINCT AND DIFFERENT WAYS, AND WILL BE
18 CONTINUED BY THE MAP ACTIVITIES IN THE FUTURE.

19
20 --THE FIRST FORM OF MONITORING IS UNDERTAKEN WITHIN
21 THE AGRICULTURE RURAL REHABILITATION COMPONENT NOW
22 CONTRACTED TO VITA. VITA HAS AN EFFECTIVE MANAGEMENT
23 INFORMATION SERVICE (MIS) ACTIVITY HEADED BY DR.
24 SARDAR, A UNIVERSITY OF MASSACHUSETTS PH.D. IN
25 POLITICAL SCIENCE WHO WROTE HER DISSERTATION ON
26 AFGHANISTAN. THE PRIMARY OBJECTIVE OF THIS MIS
27 ACTIVITY IS TO PROVIDE SPECIAL ATTENTION TO THE
28 VARIOUS POLITICAL, SOCIOLOGICAL AND ORGANIZATIONAL
29 STRUCTURES EVOLVING OUT OF THE PRESENT AFGHAN
30 SITUATION. THIS REQUIRES MONITORING, BUT MORE
31 IMPORTANTLY, ALSO REQUIRES THE ANALYSIS OF SUCH
32 ASPECTS AS THE FORMATION AND ADMINISTRATIVE ABILITY
33 OF VARIOUS SHURAS (LOCAL COUNCILS) AND ESTIMATING THE
34 ADMINISTRATIVE CAPABILITIES OF SPECIFIC LOCAL
35 COMMANDERS, ETC. THIS TYPE OF SOCIOLOGICAL/POLITICAL
36 ANALYSIS AND MONITORING HAS BEEN IMPORTANT IN THE
37 PAST PROGRAM AND WILL BE EVEN MORE IMPORTANT IN THE
38 FUTURE. THEREFORE, THESE TYPES OF ACTIVITIES WILL
39 CONTINUE IN THE AMENDED AAM. THIS ONGOING COMPONENT
40 ALSO HAS STAFF WHICH INSPECT THE PROGRESS OF ONGOING
41 AND COMPLETED REHABILITATION ACTIVITIES. THIS
42 REPRESENTS PRINCIPALLY A PROGRESS REPORTING PROCESS
43 FOR IMPLEMENTATION PURPOSES AND PROJECT MANAGEMENT.

44
45 --SECONDLY, UNDER PRESENT PROJECT ACTIVITIES, THERE
46 IS A TEAM OF 10 STAFF PERSONNEL WHO MONITOR PROJECT
47 ACTIVITIES (I.E., COMMODITIES RECEIVED BY DESIGNATED
48 MERCHANTS, COMMODITIES SOLD FOR AGREED PRICES, STATUS
49 OF REHABILITATION ACTIVITIES, ETC.) THIS STAFF IS
50 ONLY KNOWN TO VITA'S TWO SENIOR AFGHANS AND CHIEF OF
51 PARTY.

52
53 --THIRDLY, MONITORING OF FOOD COMMODITIES BETWEEN
54 AGRICULTURE SURPLUS AND FOOD DEFICIT AREAS (ARS
55 LOCATIONS), DELIVERY OF COMMODITIES, ETC. ARE ALL TO
56 BE AN INTEGRAL PART OF THE MONITORING ANALYSIS AND
57 PLANNING COMPONENT. IT IS ANTICIPATED THAT THIS TYPE
58 OF MONITORING WILL BE CONDUCTED: (1) THROUGH
59 OBSERVATIONS AND REPORTS OF AFGHAN FIELD STAFF
60 EMPLOYED IN THE ARS LOCATIONS; (2) THROUGH THE

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10 INFO LOG-00 CIAE-00 EB-00 DODE-00 NEA-04 AMAD-01 /005 W

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12 O 230355Z JAN 89

13 FM AMEMBASSY ISLAMABAD

14 TO SECSTATE WASHDC IMMEDIATE 3817

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16 UNCLAS SECTION 02 OF 07 ISLAMABAD 01602

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18 AIDAC FROM AID/REP

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22 E.O. 12356: N/A

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26

27 ANALYSIS OF THE MACRO ECONOMIC INDICATORS AS
28 IDENTIFIED IN THE AMENDMENT; (3) BY MONITORING THE
29 FLOW OF COMMODITIES TO AND THROUGH AFGHAN AND
30 PAKISTANI TRADERS; (4) THROUGH UTILIZATION OF
31 SATELLITE IMAGERY TO ESTIMATE CROP YIELDS IN BOTH
32 SURPLUS AND DEFICIT PRODUCTION AREAS; AND (5) THROUGH
33 THE USE OF OTHER TYPES OF MONITORING DEVICES AS
34 DEVELOPED BY THE CONTRACTOR DURING IMPLEMENTATION.

35

36 --WE ARE ALSO IN THE PROCESS OF DEVELOPING FOR THE
37 OVERALL AFGHAN PROGRAM AN INFORMATION MANAGEMENT
38 SYSTEM WHICH WILL ENABLE US TO BEGIN TO LOOK ACROSS
39 PROJECT LINES. WE HAVE A FULL-TIME USPSC
40 MONITORING/INFORMATION SPECIALIST WORKING IN OUR
41 PROGRAM OFFICE AND ARE ADVERTISING FOR AFGHAN
42 ASSISTANTS TO EXPAND OUR CAPABILITIES IN THIS AREA.

43

44 --WE ARE KEENLY AWARE OF THE IMPORTANCE OF ACCURATE
45 MONITORING AND ARE CONFIDENT THAT, EVEN UNDER THE
46 CURRENT CONDITIONS IN WHICH WE OPERATE, THE ABOVE

47

01 MENTIONED ACTIVITIES PROVIDE AN ADEQUATE MONITORING
02 SYSTEM. OBVIOUSLY, THIS WILL BE IMPROVED AS
03 CONDITIONS PERMIT, AND WE WILL BE WORKING CLOSELY
04 WITH OUR CONTRACTORS TO IMPROVE AND EXPAND THE ASSP
05 MONITORING ACTIVITIES.

06 C) TRAINING UNDER THE ARS COMPONENT - THE TASK FORCE

NOTED STATEMENTS ON PAGE 26 OF THE AAM AMENDMENT WHICH REFERENCED U.S. OR THIRD COUNTRY TRAINING OPPORTUNITIES FOR WHICH A RELATIVELY SMALL AMOUNT OF FUNDING HAS BEEN BUDGETED. THE PROPOSED TRAINING IS TO BE TARGETTED ON AFGHAN UNIVERSITY STUDENTS WHOSE EDUCATION WAS INTERRUPTED BY THE SOVIET INVASION. IT IS PLANNED THAT THE NEW PROJECT CONTRACTOR WILL IDENTIFY UNIVERSITY STUDENTS WHO HAD COMPLETED AT LEAST A YEAR OR TWO OF FORMAL EDUCATION. THE CONTRACTOR WOULD THEN DEVELOP INDIVIDUAL TRAINING PROGRAMS FOR THESE INDIVIDUALS WHICH WOULD BE COMPLETED WITHIN THE LIFE OF PROJECT. SUCH TRAINING COULD TAKE PLACE AT AGRICULTURE UNIVERSITIES IN PAKISTAN, OR THIRD COUNTRY INSTITUTIONS SUCH AS THE UNIVERSITY OF THE PHILIPPINES IN LOS BANOS, AND, PERHAPS, THE U.S. THE PAKISTAN MINISTRY OF EDUCATION HAS INDICATED INTEREST IN ACCEPTING AFGHAN STUDENTS AS FOREIGN STUDENTS IN ITS VARIOUS AGRICULTURE COLLEGES. SOME FORMER AFGHAN UNIVERSITY STUDENTS WHO COULD BENEFIT FROM SUCH TRAINING HAVE ALREADY BEEN IDENTIFIED. WE BELIEVE THAT THIS VERY MODEST TRAINING ELEMENT IS IN ACCORDANCE WITH THE APPROVED TRANSITION STRATEGY AND SHOULD BE APPROVED.

D) COORDINATION WITH OTHER DONORS - COORDINATION WITH THE U.N., AS WELL AS OTHER DONORS, HAS BEEN THE SUBJECT OF MANY COMMUNICATIONS TO WASHINGTON. IT IS A MAJOR CONCERN AND ACTIVITY OF OUR OFFICE. SPECIFICALLY IN THE AGRICULTURE SECTOR, THE FOLLOWING ONGOING COORDINATING ACTIVITIES ARE TAKING PLACE:

--THROUGH THE ENCOURAGEMENT OF THIS OFFICE, THE F.A.O. REPRESENTATIVE HAS ESTABLISHED A WORKING GROUP CONSISTING OF REPRESENTATIVES FROM ALL EMBASSIES WHO ARE SUPPORTING, OR PLAN TO SUPPORT, AGRICULTURE OR RURAL DEVELOPMENT ACTIVITIES IN AFGHANISTAN. THE INITIAL MEETING OF THIS GROUP HAS TAKEN PLACE, AND COVERED PRESENT AND PLANNED ACTIVITIES IN THE SECTOR.

--OUR AGRICULTURE DEVELOPMENT OFFICER HAS ATTENDED MEETINGS WITH THE UNHCR FOCUSING ON AGRICULTURE DEVELOPMENT ACTIVITIES AND WITH THE AGENCY COORDINATING BODY FOR AFGHAN RELIEF (ACBAR) AGRICULTURE SUB-COMMITTEE. AID/REP STAFF IN PESHAWAR AND ASSP CONTRACT STAFF ARE CONTINUOUSLY MEETING WITH VARIOUS ORGANIZATIONS REGARDING CROSS-BORDER AGRICULTURE ACTIVITIES.

E). PRIVATE SECTOR AGRIBUSINESS COMPONENT - HOW WAS THE AMOUNT OF DOLLARS 33.7 MILLION ARRIVED AT? BASED ON THE EXPERIENCE GAINED TO DATE UNDER THE CURRENT PROJECT IN USING COMMERCIAL CHANNELS, AND THEBT

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07 SEOS-02 FPA-02 SERP-01 RELO-01 TELE-01 AGRI-01
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13 FM AMEMBASSY ISLAMABAD
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16 UNCLAS SECTION 03 OF 07 ISLAMABAD 01602

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18 AIDAC FROM AID/REP

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20 AID FOR ANE/AF, ANE/TR/ARD AND ANE/PD

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22 E.O. 12356: N/A
23 SUBJECT - AFGHANISTAN AGRICULTURE SECTOR SUPPORT
24 PROJECT (ASSP) AAM AMENDMENT

25
26
27 POSSIBLE DEMAND FOR AGRICULTURAL COMMODITIES AS
28 REFUGEES BEGIN TO RETURN AND HOPED FOR STABILITY IS
29 EVIDENCED OVER INCREASING AREAS OF AFGHANISTAN, THE
30 AAM REDESIGN TEAM (INCLUDING SEVERAL AID/W
31 REPRESENTATIVES) USED ITS BEST JUDGMENT IN ARRIVING
32 AT A FUNDING FIGURE CONSIDERED ADEQUATE. THE
33 ILLUSTRATIVE AND ESTIMATED EXPENDITURE BUDGET
34 CONTAINED IN THE AMENDMENT REFLECTS ROUGH PROJECTIONS
35 OF FUNDING REQUIREMENTS ON AN ANNUAL BASIS.
36 OBVIOUSLY, UNTIL THIS COMPONENT IS APPROVED AND
37 TESTED DURING IMPLEMENTATION, WE WILL BE UNCERTAIN AS
38 TO THE FUNDING WHICH MAY BE REQUIRED. IT MAY BE MORE
39 OR LESS THAN ESTIMATED IN THE AMENDMENT. THE RESULTS
40 OF EXPERIENCE WILL, OF COURSE, BE FULLY SHARED WITH
41 AID/WASHINGTON.

42
43 F) HOW WILL THE DOLLARS IN THE PRIVATE SECTOR
44 AGRIBUSINESS COMPONENT BE DISBURSED? - DOLLARS WILL
45 BE UTILIZED LARGELY TO OFFSET GOVERNMENT OF PAKISTAN
46 FOREIGN EXCHANGE COSTS INCURRED IN THE MANUFACTURE OR

47
01 IMPORTATION OF COMMODITIES EXPORTED UNDER THE PROGRAM
02 TO AFGHANISTAN. THE SPECIFIC PROCESS OF
03 REIMBURSEMENT HAS YET TO BE FINALIZED, BUT
04 DISCUSSIONS TO DATE WITH GOP OFFICIALS AND
05 MANUFACTURERS INDICATE THE PROCESS WOULD WORK AS
06 FOLLOWS:

07
08 --THE LEVEL OF FOREIGN EXCHANGE REIMBURSEMENT FOR
09 EACH COMMODITY WILL BE AGREED UPON BY THE AID/REP,
10 THE PAKISTANI MANUFACTURER OR IMPORTER AND THE GOP,
11 MOST LIKELY THE MINISTRY OF FINANCE. THE CONTRACTOR
12 WILL THEN TURN OVER THE AGREED UPON AMOUNT OF FOREIGN
13 EXCHANGE TO THE PAKISTAN STATE BANK, WHICH WILL THEN
14 DEPOSIT AN EQUIVALENT AMOUNT OF PAKISTAN RUPEES IN
15 THE AID/REP CONTRACTOR'S CUSTODIAL ACCOUNT HELD IN A
16 COMMERCIAL BANK. RUPEES WOULD THEN BE AVAILABLE TO
17 PARTIALLY OFFSET LOCAL COSTS OF THIS, AND POSSIBLY
18 OTHER MISSION PROJECTS, AS IS DISCUSSED LATER.

19
20 --DOLLARS WILL ALSO BE UTILIZED FOR LOCAL EXPENSES
21 NOT COVERED BY PROJECT-GENERATED RUPEES; THE
22 PROJECT'S TECHNICAL ASSISTANCE CONTRACTS; DIRECT
23 PROCUREMENT OF COMMODITIES MANUFACTURED IN PAKISTAN;
24 POSSIBLE DIRECT IMPORTATION OF COMMODITIES INTO
25 PAKISTAN; ETC. ADDITIONAL DISCUSSION OF DISBURSEMENT
26 OF PROJECT FUNDS IS PRESENTED UNDER SECTION (H), A
27 PROCESS MODEL OF THE PRIVATE SECTOR AGRIBUSINESS.

28
29 G) GOP AGREEMENT IN PRINCIPLE TO THE PRIVATE SECTOR
30 AGRIBUSINESS COMPONENT - SINCE THE COMPLETION OF THE
31 AAM AMENDMENT, WE HAVE HAD EXTENSIVE MEETINGS WITH
32 SENIOR GOP OFFICIALS AND GENERAL MANAGERS OF
33 MANUFACTURERS IN PAKISTAN. WORKING CLOSELY WITH
34 USAID/PAKISTAN, A MEETING WAS ARRANGED WITH USAID'S
35 PRIMARY CONTACT IN THE MINISTRY OF FINANCE, THE
36 ADDITIONAL SECRETARY FOR EXTERNAL FINANCE. AT THE
37 MEETING, WE REVIEWED THE GOAL, PURPOSE AND FEATURES
38 OF THE PRIVATE SECTOR AGRIBUSINESS COMPONENT. THE
39 ADDITIONAL SECRETARY SHOWED GREAT INTEREST AND
40 INDICATED THAT NO REPEAT NO MEMORANDUM OF
41 UNDERSTANDING WOULD HAVE TO BE COMPLETED WITH THE
42 GOP. HE INDICATED THAT ALL OF THE AGRICULTURE
43 COMMODITIES (NOTE FOLLOWING LIST) WHICH HAVE BEEN
44 IDENTIFIED TO DATE COULD BE PROCURED FROM MAJOR
45 MANUFACTURERS OR COMPANIES IN PAKISTAN THROUGH A
46 PURCHASING AGREEMENT. THIS PURCHASING AGREEMENT IS A
47 KEY PART OF A WELL ESTABLISHED PROCESS FOR PURCHASING
48 COMMODITIES FOR EXPORT. PAYMENT FOR THESE
49 COMMODITIES CAN BE IN EITHER PAKISTANI RUPEES OR U.S.
50 DOLLARS. THE MANUFACTURERS OR COMPANIES HAVE THE
51 RESPONSIBILITY OF FILING THE PURCHASES AND OTHER
52 REQUIRED DOCUMENTS WITH THE GOP.

53
54 THE ADDITIONAL SECRETARY FELT THIS PROCEDURE WORKS
55 EXTREMELY WELL AND EMPHASIZED THAT THERE WAS NO NEED
56 TO HAVE ANY SPECIAL AGREEMENTS FOR THE AID/REP'S
57 PROGRAM.

58 --DURING A MEETING WITH THE EMBASSY'S ECONOMIC
59 AFFAIRS STAFF, IT WAS RECOMMENDED WE CONSULT WITH THE
60 CHIEF CONTROLLER OF IMPORTS AND EXPORTS OF THE
61
62

02 ACTION AID-00

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18 AIDAC FROM AID/REP

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21

22 E.O. 12356: N/A

23 SUBJECT - AFGHANISTAN AGRICULTURE SECTOR SUPPORT

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25

26 MINISTRY OF COMMERCE. THE PROPOSED PRIVATE SECTOR
27 AGRIBUSINESS ACTIVITIES AND LIST OF ILLUSTRATIVE
28 COMMODITIES WERE PRESENTED TO THE CHIEF CONTROLLER.
29 HE INDICATED THAT THERE SHOULD BE NO DIFFICULTIES
30 ENCOUNTERED IN PURCHASING THE IDENTIFIED COMMODITIES
31 FOR EXPORT TO AFGHANISTAN.

32

33 --WE HAVE ALSO MET WITH THE DEPUTY SECRETARY FOR
34 EXTERNAL TRADE OF THE MINISTRY OF COMMERCE. HE HAD
35 RECEIVED INFORMATION ABOUT THIS PROGRAM FROM THE
36 ECONOMIC AFFAIRS DIVISION (EAD) OF THE MINISTRY OF
37 FINANCE. THE EAD IS THE GOP'S COORDINATING BODY
38 BETWEEN DONOR AGENCIES AND VARIOUS OTHER GOP
39 MINISTRIES. THIS CLEARLY INDICATES THE GOP IS
40 INTERNALLY AWARE OF AND DISCUSSING THE PRIVATE SECTOR
41 AGRIBUSINESS COMPONENT. HE INDICATED THAT THE GOP
42 WOULD SUPPORT AND COOPERATE WITH THE PROJECT WHICH
43 WILL HELP FACILITATE THE RESETTLEMENT OF REFUGEES IN
44 AFGHANISTAN AND EXPAND PAKISTAN'S EXPORTS.

45

46 --ADDITIONAL MEETINGS HAVE BEEN HELD WITH THE DEPUTY

47

01 DIRECTOR OF THE PAKISTAN EXPORT PROMOTION BUREAU OF
02 THE MINISTRY OF COMMERCE, AND SEVERAL MANAGERS OF
03 MAJOR PAKISTANI FIRMS AND TRADERS SENDING COMMODITIES
04 INTO AFGHANISTAN.

05

06 --THE BOTTOM LINE OF ALL THESE MEETINGS IS THAT THERE

07 IS AN ESTABLISHED PROCESS FOR PROCURING COMMODITIES
08 FROM PAKISTAN FOR EXPORT. THIS PROCESS WOULD REQUIRE
09 NO SPECIAL GOP/AID AGREEMENTS AND THE GOP IS WILLING
10 TO COOPERATE WITH AID/REP TO IMPLEMENT PROGRAMS THAT
11 WILL SUPPORT THE RESETTLEMENT OF REFUGEES AND EXPAND
12 EXPORTS.

13
14 THE FOLLOWING IS THE ILLUSTRATIVE LIST OF COMMODITIES
15 PRESENTED TO THE GOP OFFICIALS:

16
17 (1) FARM EQUIPMENT: TRACTORS, MOTORIZED CULTIVATORS,
18 PLOWS AND TILLERS, DRILLS, REAPERS, THRESHERS, WAGONS
19 HAND TOOLS, HORTICULTURAL TOOLS, WHEELBARROWS,
20 SPRAYERS, AND SPARE PARTS;

21 (2) SEED AND PLANTING MATERIALS: WHEAT, CORN AND
22 VEGETABLES SEED AND SEEDLING FRUIT TREES;

23
24 (3) FERTILIZER: DAP AND UREA;

25
26 (4) IRRIGATION EQUIPMENT: PUMPS, GABIONS AND MISC;

27
28 (5) AGRICULTURAL CHEMICALS: INSECTICIDES AND
29 HERBICIDES;

30
31 (6) LIVESTOCK/FARM ANIMALS: OXEN/BULLOCKS, POULTRY
32 BREEDING STOCK, AND VETERINARY HEALTH PRODUCTS;

33
34 (7) CONSUMER GOODS: BURLAP BAGS AND CLOTH; AND

35
36 (8) TRANSPORT GOODS: SPARE PARTS AND BICYLCES.

37
38 H) A PROCESS MODEL OF THE PRIVATE SECTOR
39 AGRIBUSINESS COMPONENT - IN THE RFP'S SCOPE OF WORK
40 DRAFTED FOR THIS AMENDMENT, TWO EXAMPLES WERE
41 DEVELOPED TO ILLUSTRATE HOW THE PRIVATE SECTOR
42 AGRIBUSINESS COMPONENT WOULD FUNCTION. THE FIRST
43 EXAMPLE IS FOR COMMODITIES MANUFACTURED IN PAKISTAN.
44 THE SECOND EXAMPLE IS FOR COMMODITIES WHICH ARE
45 IMPORTED INTO PAKISTAN. THESE EXAMPLES ARE PROVIDED
46 BELOW:

47
48 (1) EXAMPLE OF COMMODITIES MANUFACTURED IN PAKISTAN
49 (E.G., TRACTORS AND TILLAGE AND OTHER FARM
50 EQUIPMENT): THE CONTRACTOR WILL ASSESS THE MARKET
51 DEMAND AND MARKET STRUCTURE/PROCESS FOR TRACTORS AND
52 TILLAGE AND OTHER FARM EQUIPMENT WITHIN AFGHANISTAN.
53 THIS INFORMATION WILL THEN BE REVIEWED AND ASSESSED
54 WITH EQUIPMENT MANUFACTURERS IN PAKISTAN. BASED ON
55 THIS ASSESSMENT, TARGET QUANTITIES FOR EACH TYPE OF
56 EQUIPMENT TO BE PROVIDED TO THE PROJECT TARGET AREAS
57 THROUGH PRIVATE DEALERS WILL BE RECOMMENDED. A NEW
58 SYSTEM OR THE SYSTEM PILOT TESTED UNDER THE PRESENT
59 PROJECT IS ENVISIONED WHEREBY AFGHANS WHO WISH TO
60 PURCHASE THESE ITEMS FOR CASH CAN CONTACT AFGHAN
61 TRADERS.

62 --THE CONTRACTOR WILL MEET WITH THE VARIOUS EQUIPMENT

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26 MANUFACTURERS IN PAKISTAN TO CONFIRM THE AVAILABILITY
27 OF EQUIPMENT AND TO ASSURE THAT ALL ARRANGEMENTS ARE
28 IN PLACE FOR THE SUPPLY OF REQUIRED QUANTITIES -F#F
29 EQUIPMENT TO AGREED LOCATIONS, PREFERABLY NEAR THE
30 AFGHANISTAN BORDER.

31
32 --THE CONTRACTOR WILL ASSEMBLE AND ANALYZE COST AND
33 PRICE DATA FOR THE SALES TRANSACTIONS TO THE DEALERS
34 AND DETERMINE NECESSARY FINANCIAL ARRANGEMENTS.
35 THESE WILL BE PRESENTED AND EXPLAINED TO THE MISSION
36 AND WILL BE THE BASIS OF THE AID/REP'S APPROVAL OF
37 THE PROCEDURES TO BE FOLLOWED.

38
39 --IT IS ANTICIPATED THAT THE GOP WILL REQUIRE THAT
40 THE ASSP MAKE AVAILABLE IN U.S. DOLLARS SOME
41 PERCENTAGE OF THE VALUE OF THE EQUIPMENT TO COVER THE
42 FOREIGN EXCHANGE COSTS INVOLVED IN THE MANUFACTURE OF
43 THE EQUIPMENT. THE RUPEES OBTAINED IN THESE
44 TRANSACTIONS (MINUS ANY ASSP-SUPPORTED SUBSIDY) WOULD
45 BE RETAINED FOR USE TO PARTIALLY OFFSET PROJECT LOCAL
46 CURRENCY EXPENSES OR TO PURCHASE ADDITIONAL

47
01 COMMODITIES FOR EXPORT TO AFGHANISTAN, E.G., SEEDS,
02 OXEN, HAND TOOLS, ETC. THE AMOUNT OF DOLLARS TO BE
03 CONVERTED WILL BE SUBJECT TO NEGOTIATION BECAUSE OF
04 SEVERAL FACTORS, ONE OF WHICH IS THE VARYING
05 PERCENTAGES OF FOREIGN AND DOMESTIC COMPONENTS IN THE

06 EQUIPMENT.

07

08 --THE CONTRACTOR WILL FOLLOW THROUGH WITH THE
09 VARIOUS ADMINISTRATIVE ARRANGEMENTS NECESSARY FOR
10 THE EQUIPMENT MANUFACTURERS AND DEALERS TO OBTAIN
11 EXPORT PERMITS AND ASSIST WITH THE PURCHASING
12 AGREEMENT PROCESS. AFTER OBTAINING AID/REP APPROVAL
13 OF THE PROCEDURES AND COSTS INVOLVED, THE CONTRACTOR
14 WILL COORDINATE AND FACILITATE THE FINALIZATION OF
15 THE ARRANGEMENTS.

16

17 --THE CONTRACTOR WILL INVESTIGATE, ANALYZE AND
18 IDENTIFY POTENTIAL OPPORTUNITIES FOR EXPANDING
19 PRIVATE SECTOR TRADE IN FARM EQUIPMENT IN THE TARGET
20 AREAS IN AFGHANISTAN. IT WILL IDENTIFY CONSTRAINTS
21 TO SUCH TRADE SUCH AS LACK OF INFORMATION, LINKAGES
22 FROM THE MANUFACTURERS THROUGH THE TRADERS AND
23 DEALERS AND ON TO THE FARMERS, FINANCE, TRANSPORT,
24 GOVERNMENT REGULATIONS, SECURITY, STORAGE CAPACITY,
25 PRICE AND COST BARRIERS, ETC.

26

27 --THE CONTRACTOR WILL WORK WITH AND THROUGH THE
28 PAKISTANI EQUIPMENT MANUFACTURERS TO OBTAIN AGREEMENT
29 TO LINK UP WITH AND COMMISSION DEALERS TO SELL THEIR
30 PRODUCTS IN AFGHANISTAN. IT WILL ENCOURAGE THE
31 ESTABLISHMENT OF EQUIPMENT DEMONSTRATIONS, TRAINING,
32 PROVISION OF SPARES, AFTER SALES MAINTENANCE, AND
33 OTHER SERVICES BY THE EQUIPMENT TRADERS AND DEALERS.

34

35 --THE CONTRACTOR WILL PREPARE FOR AID/REP APPROVAL,
36 RECOMMENDATIONS FOR NEEDED PAYMENT OF TRANSPORT OR
37 OTHER SUBSIDY COSTS DETERMINED TO BE NECESSARY TO GET
38 THE EQUIPMENT TO THE TARGET AREAS IN AFGHANISTAN.

39

40 --THERE PRESENTLY EXISTS A LIMITED BUT VIABLE CASH
41 TRADE WHICH INCLUDES SUCH HIGH COST ITEMS AS
42 TRACTORS. HOWEVER, TO EXPAND SUCH TRADE, FINANCING
43 WILL BE A MAJOR FACTOR WHICH THE CONTRACTOR WILL BE
44 EXPECTED TO ANALYZE AND RECOMMEND POSSIBLE COURSES OF
45 ACTION.

46

47 (2) EXAMPLE OF COMMODITIES IMPORTED INTO PAKISTAN
48 (E.G., FERTILIZER):

49

50 --BASED ON MONTHLY ASSESSMENTS OF THE FERTILIZER
51 NEEDS IN THE PROJECT'S TARGET AREAS AS WELL AS
52 AVAILABILITY ON THE LOCAL MARKET, THE CONTRACTOR WILL
53 ATTEMPT TO ASSURE THAT SUPPLY IS AT LEAST THE MINIMUM
54 NECESSARY TO SATISFY DEMAND.

55

56 --THE CONTRACTOR WILL MEET WITH THE VARIOUS
57 FERTILIZER MANUFACTURERS OR COMPANIES IN PAKISTAN AND
58 GOP OFFICIALS TO DETERMINE AVAILABILITY, AND ASSURE
59 THAT ALL ARRANGEMENTS ARE IN PLACE FOR THE SUPPLY OF
60 THE REQUIRED QUANTITIES OF UREA AND DAP. IF

61

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02 ACTION AID-00

03

04 ACTION OFFICE ANPD-05

05 INFO ANDP-03 ANSA-03 ANAF-04 PPDC-01 ANAA-01 SAST-01 PPPB-02

06 GC-01 GCAN-02 GCCM-02 ANTR-06 STAG-02 AAPF-01 SEOP-01

07 SEOS-02 FPA-02 SERP-01 RELO-01 TELE-01 AGRI-01

08 /043 A4 KL23

09

10 INFO LOG-00 CIAE-00 EB-00 DODE-00 NEA-04 /004 W

11 -----264326 230415Z /66 38

12 O 230355Z JAN 89

13 FM AMEMBASSY ISLAMABAD

14 TO SECSTATE WASHDC IMMEDIATE 3821

15

16 UNCLAS SECTION 06 OF 07 ISLAMABAD 01602

17

18 AIDAC FROM AID/REP

19

20 AID FOR ANE/AF, ANE/TR/ARD AND ANE/PD

21

22 E.O. 12356: N/A

23 SUBJECT - AFGHANISTAN AGRICULTURE SECTOR SUPPORT

24 PROJECT (ASSP) AAM AMENDMENT

25

26 SUFFICIENT QUANTITIES ARE NOT AVAILABLE IN PAKISTAN,
27 UREA OR DAP MAY HAVE TO BE IMPORTED INTO PAKISTAN BY
28 THE PROJECT. IN THAT EVENTUALITY, THE CONTRACTOR,
29 WITH THE GUIDANCE OF AID, WILL DRAFT THE NECESSARY
30 DOCUMENTATION REQUIRED FOR THE FERTILIZER PURCHASE.

31 --THE CONTRACTOR WILL ASSEMBLE AND ANALYZE COST AND
32 PRICE DATA FOR THE FERTILIZER TRANSACTIONS AND
33 DETERMINE WHAT FINANCIAL ARRANGEMENTS ARE NECESSARY.
34 IT WILL PRESENT AND EXPLAIN THESE TO THE MISSION AND
35 OBTAIN THE AID/REP'S APPROVAL. IT IS ANTICIPATED
36 THAT, IF PAKISTAN FERTILIZER STOCKS ARE TO BE
37 UTILIZED, THE GOP WILL REQUIRE THAT THE PROJECT MAKE
38 U.S. DOLLAR REIMBUREMENTS FOR THE STOCKS DRAWN DOWN
39 BECAUSE: (1) WHILE MUCH OF PAKISTAN'S UREA IS
40 PRODUCED LOCALLY, SIGNIFICANT QUANTITIES ARE IMPORTED
41 TO FILL THE GAP BETWEEN LOCAL PRODUCTION AND UREA USE
42 IN PAKISTAN; AND (2) ALL DAP IS IMPORTED INTO
43 PAKISTAN.

44

45 --HOWEVER, THE EXACT AMOUNT OF FOREIGN EXCHANGE TO BE
46 PAID TO THE GOP WILL BE SUBJECT TO NEGOTIATIONS BASED

47

01 ON SEVERAL FACTORS, SUCH AS WHETHER THE FERTILIZER IS
02 DOMESTICALLY PRODUCED OR IMPORTED. THE RUPEES
03 OBTAINED THROUGH THESE TRANSACTIONS (MINUS ANY
04 ASSP-SUPPORTED SUBSIDY) WOULD BE RETAINED FOR USE IN
05 THE ASSP AS DESCRIBED IN THE PREVIOUS EXAMPLE.

06

07 --THE CONTRACTOR WILL ASSIST WITH THE ADMINISTRATIVE
08 ARRANGEMENTS NECESSARY FOR THE PAKISTANI FERTILIZER
09 COMPANIES AND DEALERS TO OBTAIN APPROVAL OF A
10 PURCHASING AGREEMENT. AFTER OBTAINING AID/REP
11 APPROVAL FOR THE PROCEDURES AND COSTS INVOLVED, THE
12 CONTRACTOR WILL COORDINATE AND FACILITATE THE
13 FINALIZATION OF THE ARRANGEMENTS.

14
15 --THE CONTRACTOR WILL INVESTIGATE, ANALYZE AND DEFINE
16 POTENTIAL OPPORTUNITIES FOR PRIVATE SECTOR TRADE IN
17 FERTILIZER IN THE PROJECT'S TARGET AREAS IN
18 AFGHANISTAN. IT WILL IDENTIFY CONSTRAINTS TO SUCH
19 TRADE SUCH AS LACK OF INFORMATION, LINKAGES FROM THE
20 MANUFACTURERS THROUGH TRADERS AND DEALERS TO
21 FARMERS. THE CONTRACTOR WILL WORK WITH AND THROUGH
22 THE PAKISTANI FERTILIZER COMPANIES TO OBTAIN
23 AGREEMENT TO LINK UP WITH AND COMMISSION AFGHAN AND
24 PAKISTANI TRADERS AND DEALERS TO SELL THEIR PRODUCTS
25 IN AFGHANISTAN. IT WILL ENCOURAGE THE COMPANIES TO
26 ESTABLISH FERTILIZER STORAGE FACILITIES AND STOCKS IN
27 LOCATIONS, SUCH AS PESHAWAR AND QUETTA FOR EASE OF
28 TRANSPORT INTO AFGHANISTAN, AND ENCOURAGE DEALERS TO
29 ESTABLISH FERTILIZER STORAGE AND STOCKS INSIDE
30 AFGHANISTAN. THE CONTRACTOR WILL PREPARE FOR MISSION
31 APPROVAL RECOMMENDATIONS OF NEEDED TRANSPORT OR
32 OTHER SUBSIDY COSTS TO GET THE FERTILIZER TO THE
33 TARGET AREAS IN AFGHANISTAN. IT WILL ARRANGE FOR
34 ON-SITE SPOT CHECKS OF THE ARRIVAL OF GOODS AT THE
35 REPORTED POINTS OF SALE IN THE MANNER AND AT THE
36 PRICES REPORTED BY THE DEALERS. THE CONTRACTOR WILL
37 WORK WITH AGRICULTURAL AND AGRIBUSINESS FIRMS TO
38 CHANNEL APPROPRIATE TECHNICAL INFORMATION TO THE
39 FARMERS.

40
41 (I) LOCAL CURRENCY UTILIZATION - GENERATED LOCAL
42 CURRENCY WILL BE PRIMARILY USED TO OFFSET LOCAL
43 COSTS OF THE ASSP PLUS OTHER MISSION PROJECTS IF
44 SUFFICIENT FUNDS ARE AVAILABLE. IF IT IS DEEMED
45 ESSENTIAL TO PROVIDE A COMMODITY WHICH REQUIRES A
46 SUBSIDY, I.E., FERTILIZER, BECAUSE OF THE HIGH
47 SUBSIDIES PROVIDED BY EASTERN BLOC COUNTRIES ON
48 FERTILIZER IN AFGHANISTAN, LOCAL CURRENCIES COULD
49 ALSO BE USED FOR THIS PURPOSE. ADDITIONALLY, LOCAL
50 CURRENCY COULD BE USED TO PURCHASE IN PAKISTAN OTHER
51 TYPES OF NEEDED COMMODITIES SUCH AS OXEN, HANDTOOLS,
52 PLANTING MATERIALS, ETC. WHICH COULD BE MADE
53 AVAILABLE TO FARMERS IN THE ARS'S. THE PROJECT HAS
54 EXPERIENCE AND SUCCESS IN PROVIDING EQUIPMENT SUCH AS
55 TRACTORS, THRESHERS, HARROWS AND WATER PUMPS WITH A
56 SUBSIDY OF APPROXIMATELY 20 PERCENT. THIS TYPE OF
57 SUBSIDY MAY BE NECESSARY TO EXPAND THE MARKET,
58 PARTICULARLY IN THE AREAS WHERE REFUGEES WILL BE
59 RETURNING. THE ASSP ALSO HAS BEEN ABLE TO PURCHASE
60 OXEN AND SHIP THESE ANIMALS INTO SPECIFIC ARS'S WHERE
61 LIVESTOCK AUCTIONS HAVE BEEN HELD AND THE OXEN SOLD
62 TO LOCAL FARMERS. IN THE CASE OF THE OXEN, A SLIGHT

63
01
02
03
04

SUBSIDY HAS BEEN PROVIDED TO COVER TRANSPORTATION,

02 ACTION AID-00

03

04 ACTION OFFICE ANPD-05

05 INFO ANDP-03 ANSA-03 ANAF-04 PPDC-01 ANAA-01 SAST-01 PPPB-02

06 GC-01 GCAN-02 GCCM-02 ANTR-06 STAG-02 AAPF-01 SEOP-01

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13 FM AMEMBASSY ISLAMABAD

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15

16 UNCLAS SECTION 07 OF 07 ISLAMABAD 01602

17

18 AIDAC FROM AID/REP

19

20 AID FOR ANE/AF, ANE/TR/ARD AND ANE/PD

21

22 E.O. 12356: N/A

23 SUBJECT - AFGHANISTAN AGRICULTURE SECTOR SUPPORT

24 PROJECT (ASSP) AAM AMENDMENT

25

26 AND SMALL DIFFERENCE BETWEEN ACTUAL PURCHASING PRICE

27 AND SELLING PRICE.

28

29 (J) DIRECT PROCUREMENT AS A FALL BACK POSITION -
30 BECAUSE OF THE DYNAMICS OF THE SITUATION IN
31 AFGHANISTAN, IT MAY WELL PROVE DIFFICULT FOR THE
32 PRIVATE SECTOR TO FUNCTION NORMALLY. WITH THE
33 POTENTIAL OF LARGE NUMBERS OF RETURNING REFUGEES, IT
34 IS ESSENTIAL THAT THE MISSION HAVE THE FLEXIBILITY TO
35 DIRECTLY PROCURE COMMODITIES AND MAKE THESE AVAILABLE
36 TO TARGET AREAS IN AFGHANISTAN. THESE COMMODITIES
37 MAY RANGE FROM FOOD ITEMS TO STABILIZE LOCAL FOOD
38 PRICES, TO SEED AND FERTILIZER TO SUPPORT FOOD
39 PRODUCTION OR CONSTRUCTION MATERIAL FOR THE
40 RETURNEES. IT IS THE OPTION OF SUCH DIRECT
41 PROCUREMENTS THAT WE ARE SEEKING IN THE AMENDMENT,
42 NOT A TRADITIONAL CIP MECHANISM.

43

44 3. WE BELIEVE THIS INFORMATION IS SUFFICIENT TO
45 ADDRESS THE CONCERNS RAISED BY AID/WASHINGTON. WE
46 REQUEST YOUR REVIEW OF THIS MESSAGE AND FULL

47

01 AUTHORIZATION OF THE AMENDMENT, INCLUDING THE PSA
02 AND, AS NEEDED, DIRECT PROCUREMENT SHOULD
03 CIRCUMSTANCES REQUIRE.

04

05 4. ADVISE. JONES

06